BC Oil and Gas Commission

2016/17 – 2018/19
SERVICE PLAN

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Accountability Statement

The 2016/17 - 2018/19 BC Oil and Gas Commission (Commission) Service Plan was prepared under the direction of the Board of Directors (Board) in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 1, 2016 have been considered in preparing the plan. The performance measures presented are consistent with the Taxpayer Accountability Principles, the Commission's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the Commission's operating environment, forecast conditions, risk assessment and past performance.

Dave Nikolejsin,
Board Chair

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Strategic Direction and Context

Strategic Direction

The Commission is the provincial, single-window regulatory agency with responsibilities for regulating oil and gas activities in B.C., including exploration, development, pipeline transportation and reclamation.

It has a legislated mandate under the *Oil and Gas Activities Act* (OGAA) and its strategic direction is informed by the external operating environment, its mission, vision and values as well as the 2016/17 Mandate Letter issued by the B.C. Provincial Government. The Commission is committed to the Taxpayer Accountability Principles, as outlined by government, and strives to deliver cost-effective, reliable and accountable service for British Columbians. More information on the Commission's structure and governance can be found here.

As a responsible and accountable regulator, the Commission is fulfilling its oversight role with respect to natural gas and Liquefied Natural Gas (LNG) development by continually improving its internal capacity to provide expert and timely services to industry, First Nations and the numerous stakeholders whose interests the Commission represents in the regulatory process.

Operating Environment

Oil and gas activity is an important component of British Columbia's economy. The northeast region of the province is part of the Western Canadian Sedimentary Basin, which extends to Manitoba and into the Northwest Territories. British Columbia accounts for slightly greater than 30 per cent of Canadian production of natural gas. During 2014, British Columbia's natural gas production was 1.64 trillion cubic feet (Tcf) of marketable natural gas (Canadian production was 5.36 Tcf). Established hydrocarbon reserves continue to increase as technology improves and knowledge of existing reservoirs expands. Unconventional gas reserves (shale and tight gas) in particular account for these increases and indicate large potential for further development.

The continued natural gas production growth in the province is due to development of unconventional gas reservoirs in northeast British Columbia, with more than 90 per cent of new wells targeting unconventional formations, in particular those in the Montney basin.

Despite the recent and continued growth of natural gas production, there are strong indicators U.S. and global market conditions are likely to result in a decrease of activity in northeast B.C. Oil prices remain at historic lows and transportation costs associated with B.C. gas remain high due to the distances and infrastructure required for transport from northeast B.C. to the U.S. Indications are that prices will remain low for some time and that without new markets for Canadian gas, Canadian export volumes, and ultimately B.C. production volumes, may decline.

However, the Commission continues to support the Provincial Natural Gas and Liquefied Natural Gas Strategies by aligning its competencies and capacity to optimize the single-window regulatory model for the efficient and effective review of applications and oversight of LNG facilities and associated major projects. The Commission also actively coordinates with other responsible agencies for efficient and effective permitting and authorizations.

It is important for the Commission to stay fully apprised of the latest technological breakthroughs, and independent world-wide scientific research concerning possible industry effects on human health, social structures, climate, environmental and cultural values. The Commission continues to deepen and share its knowledge of B.C.'s hydrocarbon resources and the local effects of oil and gas development, so that informed decisions continue to be made in the best interests of all British Columbians. Additional details regarding strategic drivers are included in Appendix 1.

Performance Plan

Goals, Strategies, Measures and Targets

The Commission's strategic management system is used to document and communicate accountability expectations and results at all levels of the organization. Potential refinement and improvements will be incorporated as the system is continually reviewed to ensure up-to-date best practices are being utilized. Annually, management considers changes to the operating environment resulting from government and Board direction, industry input, First Nation interests expressed through the process of renegotiating consultation process agreements, and any economic drivers that influence the operations of the Commission. As part of this past year's review the Commission identified the need to update its performance plan to reflect the anticipated 2016/17 operating environment and emerging trends. Accordingly, all of the goals outlined in this Service Plan have been updated from the previous years' Service Plan, with some of the initiatives and measures being modified or added. These changes have been approved by the Board of Directors for integration into organizational strategy and the performance measures are continually evolving.

The Commission's performance goals and targets are developed to align with and support the implementation of the Taxpayer Accountability Principles (TAP) which were released in June 2014. TAP reinforces the principles of cost consciousness, accountability, appropriate compensation, service, respect, and integrity, to enhance public sector governance and increase public sector accountability to taxpayers.

Goal 1: Effectively engage opportunities for productive relationships and consultations with First Nations

Strategies include:

- **Engagement Approach Optimization**
  Work with First Nations to proactively put in place strategies and processes to determine the most beneficial approach to engage and consult with First Nations and support decision-making processes. The approaches are diverse and include programs such as Leader to Leader Agreements, Community Liaisons, Consultation Process Agreements, consultation on regulations and others. This will allow for prioritizing the most critical consultations at any given time and allocating resources accordingly for both Treaty 8 and non-Treaty 8 First Nations.

- **Compliance Management System Design Input**
  Design the Compliance Management System (CMS) (to be developed under Goal 2) to track issues of interest to First Nations.

- **Training on Aboriginal Law and First Nations Rights**
  Develop and implement a system to track First Nations training for statutory decision makers and their support staff.

Performance Measure 1: Where the Commission determines that a duty to consult exists during the process of making decisions, the Commission will engage potentially impacted First Nations.*

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2014/15 results: 100%	100%	100%	100%	100%	100%

Data Source: Internally monitored and tracked consultation data.
*While Goal 1 has changed slightly this performance measure was applicable in last year's Service Plan.

Performance Measure 2: Percentage of Commission statutory decision makers and their support staff who are current in their aboriginal law and policy training.*

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2014/15 results: 62.1%	62.1%	75%	75%	75%	75%

Data Source: Internally monitored and tracked training data.
*While Goal 1 has changed slightly this performance measure was applicable in last year's Service Plan.

Performance Measure 3: Percentage of Commission permit decisions subject to First Nation initiated Judicial Review (JR) proceedings.**

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2014/15 results: 0%	0%	0%	0%	0%	0%

Data Source: Internally monitored and tracked JR data.
**This is a new measure intended to reflect the impact of having productive working relationships with First Nations.

Goal 2: Operational excellence through improved efficiency and effectiveness while maintaining optimal regulatory oversight

Strategies include:

- **Design and implement the Compliance Management System (CMS)**
  Implement a series of projects that will enhance the Commission's ability to provide assurance that oil and gas activities are being conducted in accordance with legislation while ensuring Commission resources are used to maximum effect.

- **Implement the Business Intelligence Information (BI) System Enhancement Project**
  Enhance the BI system to make data easier to access, put reporting and analysis tools in the hands of the business areas, enhance the interactivity of reports beyond current static reporting tools, and reduce current barriers and costs involved in report development.

- **Process Excellence & Quality Management Principles**
  Enhance business process management capabilities and embed process quality management principles across the Commission. Early initiatives include roll-out of process improvement methodologies, empowering business areas and staff with tools and the ability to optimize their processes; development of process governance practices, roles and responsibilities; and the development of process measures for the Commission's core business processes.

Performance Measure 1: Work Engagement Survey (WES) results on having the right workplace tools to do your job.*

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2013/14 result: 80	N/A***	79**	N/A***	80	N/A***

* This is a new measure intended to reflect the Commission's ability to provide the right tools to its staff.
** Actual WES results from survey conducted in Fall 2015.
*** WES is conducted once every two years therefore there is no target for this year.

Performance Measure 2: Calendar days to process new well applications.**

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2001/02 result: 33	12	16*****	16	16	16

Data Source: Internally monitored and tracked application processing data.
**** While Goal 2 has changed slightly, this performance measure was applicable in last year's Service Plan.
***** This is the average number of calendar days it takes to process approved new well applications in fiscal year 2015. The target is static as there are a number of unknowns related to forecasted application numbers and types.

Performance Measure 3: Number of inspections completed annually.*

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2014/15 results: 5,198	5,198	4,600**	4,000**	4,000**	4,000**

Data Source: Internally monitored and tracked inspection data.

* This is a new output measure intended to reflect the Commission's ability to monitor and track industry compliance. Inspections are comprehensive in the sense they cover all regulatory requirements, as well as all permit specific requirements (Conditions). This includes factors such as safety, environmental issues, accuracy of required measurements, adherence to defined standards, etc.

** The number of inspections are expected to decrease and stabilize as activity levels are expected to decrease.

Performance Measure 4: Inspection compliance rate (to evaluate industry compliance).***

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2014/15 results: 97.59%	97.59%	99.17%	98.50%	98.50%	98.50%

Data Source: Internally monitored and tracked compliance rate data.

*** This is a new outcome measure intended to reflect industry's compliance to the Commission's regulatory framework. The Commission ensures compliance and this measure reflects the first follow up compliance rate results. In the event of non-compliance, the Commission works with companies to make the necessary changes to become compliant with all regulatory requirements. If compliance is not achieved during prescribed response times, the Commission has the ability to move these issues to a formal enforcement process.

Goal 3: Have the right workforce to deliver on our mandate in a changing environment

Strategies include:

- **Activity Forecasting**
  - Conduct labour market and industry related research.
  - Produce current and predicted annual internal workforce analytics.
  - Update and implement the upstream activity forecast and major projects analysis.

- **Change Management Framework**
  Implement a change management framework to support the process of change for staff and the overall organization as the Business Transition Strategy (BTS) moves into the implementation phase and the impact of LNG on the organization becomes clear. Implementation will include the governance process, which includes establishing process owners, identifying who is responsible, accountable, consulted and informed. Policies will also be developed for process management to reduce disruption of process change, and define roles and expectations.

- **Employer of Choice Initiative**
  To enhance its competitiveness as an employer, this strategic initiative will be completed to investigate top employer options for the Commission.

Performance Measure 1: Voluntary turnover rate.*

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 9.1%	12.5%	10%**	12%	12%	12%

Data Source: Human resources data is monitored and tracked internally.
*While Goal 3 has changed slightly, this performance measure was applicable in last year's Service Plan.
**This is the annualized forecast given the 2015/16 Q2 results which were higher than Q1.

Performance Measure 2: Employee Engagement result per bi-annual WES.*

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 69 (2008/09)	N/A***	70**	N/A***	70	N/A***

*While Goal 3 has changed slightly, this performance measure was applicable in last year's Service Plan.
**Actual WES results from survey conducted in Fall 2015.
***WES is conducted once every two years therefore there is no target for this year.

Performance Measure 3: Job Suitability result per bi-annual WES.**

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 79 (2012/13)	N/A***	74**	N/A***	80	N/A***

**Actual WES results from survey conducted in Fall 2015.
***WES is conducted once every two years therefore there is no target for this year.
****This is a new measure intended to reflect the Commission's ability to have the right people in the right positions.

Goal 4: Enhance trust and credibility of the Commission through programs of public awareness

Strategies include:

- **Develop and implement the Strategic Engagement Plan**
  This initiative focuses on identifying opportunities to enhance relationships with:
  - Local governments and Chambers of Commerce
  - Landowners and other rights holders
  - Provincial and federal levels of government
  - The public

- **Survey development and distribution**
  This initiative develops and rolls out an annual survey to assess British Columbians' perspectives on the Commission. The results of the survey will inform the Commission's efforts to engage and educate the public as effectively as possible

- **Develop and implement a public education program**
  This initiative involves ongoing outreach to educate the public on the Commission's approach for regulating oil and gas on behalf of British Columbians

- **Website redevelopment**
  This initiative results in updates to the website to make it more user-friendly

Performance Measure 1: Number of individuals engaged.[*]

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2014/15 result: 722	722	614[**]	620	620	620

Data Source: Estimated number engaged through the Community Relations and Compliance and Enforcement teams. The data is monitored and tracked internally.

[*] This is a new output measure intended to reflect the Commission's ability to engage broadly across the province.

[**] This year's forecast is based on annualized year-to-date (YTD) results and is less than last year's results due to budget constraints.

Performance Measure 2: Survey results on British Columbians' perspectives of the Commission.[***]

Performance Measure	Actual 2014/15	Forecast 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Baseline: 2011 survey results: 61.6%[****]	N/A	N/A	65%	65%	65%

Data Source: Survey results will be tracked and analyzed internally.

[***] 2016/17 will be the first year of distributing this survey. This is a new outcome measure intended to reflect British Columbians' perspectives of the Commission.

[****] The baseline data is from a survey completed in 2011 of which almost two-thirds of respondents (61.6 per cent) mostly or strongly agreed that they were aware of the Commission as a government regulator, while fewer than one in five respondents (16.0 per cent) mostly or strongly disagreed. Initially we will evaluate the awareness of the public and once that is well established the survey question used to gauge perspective may change.

Financial Plan

Summary Financial Outlook

The following is the Commission's financial outlook with comparative revenues, expenses and capital spending over the Service Plan years 2016/17 to 2018/19. Key assumptions influencing the financial position of the Commission are in line with risks, uncertainties and operational influences discussed within the Strategic Direction & Context section. More information can be found in Appendix 1 Strategic Drivers.

The Commission's revenue is made up of fees collected on oil and gas activity applications and through levies charged on production and pipelines. Fee revenues fluctuate with industry activity levels, which in turn are influenced by a combination of factors, such as demand trends, weather conditions, natural gas and oil prices and regulatory requirements. To reduce dependency on the more volatile fee revenues, the Commission's funding model is more heavily weighted towards production levies payable on a monthly basis. This model, and the ability to adjust production levies if necessary, ensures the Commission can remain financially self-sufficient and maintain adequate capacity to oversee growing oil and gas infrastructure in the province, even during times of activity decline.

The revenues from production levies include the Orphan Sites Reclamation Fund (OSRF) tax, which is administered by the Commission and considered part of the entity for financial statement purposes. The OSRF funds are restricted in use to reclamation of orphaned sites.

Revenues						
Production Levies (incl. OSRF)	$31,210	$29,780	$32,617	$33,871	$37,482	$39,038
Pipeline Levies	$2,370	$2,421	$2,823	$2,833	$2,706	$2,781
Fees from Oil and Gas Applications	$22,100	$23,663	$12,760	$10,300	$11,381	$11,369
Miscellaneous & Recoveries	$1,920	$650	$810	$810	$810	$810
Total Revenues	**$57,600**	**$56,514**	**$49,010**	**$47,814**	**$52,379**	**$53,998**
Expenses						
Salaries and Benefits	$39,810	$38,369	$39,959	$39,859	$39,171	$39,678
Operating & First Nations Expenses	$16,781	$16,316	$16,947	$16,259	$13,153	$14,259
Orphan Reclamation	$1,040	$1,000	$1,000	$1,000	$1,000	$1,000
Total Expenses (incl. amortization)	**$58,210**	**$55,685**	**$57,906**	**$57,118**	**$53,324**	**$54,937**
Annual Surplus	$1,390	$829	$1,104	$2,696	$3,055	$1,061
Capital Expenditures	$7,710	$5,500	$5,000	$5,762	$5,000	$5,000

Key Forecast Assumptions

Concerted efforts are made to avoid a deficit in any year, and the Commission carefully balances operating expenses with anticipated revenues.

Employee salaries and benefits constitute the largest expense. The Commission's employees come from a wide range of technical and professional backgrounds and are dispersed in different geographic areas. The salary and benefits structure for unionized employees is governed by collective agreements with the Professional Employees Association (PEA) and the B.C. Government and Service Employees' Union (BCGEU). Other operating expenses include payments for First Nations agreements, professional services, employee training and development, travel, building occupancy, telecommunications and amortization.

The greater portion of the capital expenditures will go towards the development of a new information technology system aimed at consolidating all business applications to a new platform and transitioning to electronic collection, analysis and reporting of operational data. The development of the Business Transition Strategy has been accelerated to include necessary changes to accommodate, and be available for, the permitting of LNG facilities and associated major projects. While the overall capital spending remains the same, capital spending distribution over the years of the Service Plan period has been adjusted according to the accelerated project timing.

The Commission's three year financial outlook is consistent with the financial information in the government's fiscal plan and is based on the key assumptions herein. The Commission has no major capital plans in excess of $50 million as defined by the *Budget Transparency and Accountability Act*. Cash flow required to fund capital will be provided by operating surpluses. The Commission has zero debt and will not incur any during 2015/16 to

Cash balance at the year-end 2015/16 is forecasted to be near $10 million. Cash held by the OSSF, which is designated for orphan sites reclamation activities, is estimated to be $9 million by March 31, 2016. As a result of implementing the Liability Management Rating program, the Commission holds $10 million in cash and $20 million in Letters of Credit as security deposit from permit holders against potential liability with respect to site reclamation and abandonment.

Key Assumptions for 2015/16 – 2017/18 Service Plan
New well applications are forecast at 600 for 2015/16 and increasing by 2% every subsequent year.
Gas volumes are 88.3 e 10^{9}m^{3}, 92.3 e 10^{9}m^{3}, 97.1 e 10^{9}m^{3} starting in 2015/16.[1]
Oil volumes are 1.2 e 10^{6}m^{3}, 1.2 e 10^{6}m^{3}, 1.2 e 10^{6}m^{3} starting in 2015/16.[1]
Salaries and benefits projections reflect cost containment measures and are subject to negotiations.
Inflation is estimated at three per cent per annum.
The Commission has made estimates with respect to First Nations consultation process agreements.

[1]From forecast provided by Ministry of Natural Gas Development, January 2015. Net revenue may differ due to contingency provisions.

Appendix 1: Strategic Drivers

Through a formal risk analysis process, the Commission's strategic planning cycle is intrinsically linked so that all risks and opportunities facing the organization are reviewed and mitigation strategies are integrated into the strategic and operational business plans. The most significant government directives, risks and opportunities, called "Drivers", are those that influence the Commission's operating environment and its ability to achieve the strategic and operational objectives of the organization. These Drivers include:

Minister's Mandate Letter for 2016/17
The Commission's strategy described in this Service Plan sets concrete objectives and actions in support of the Minister's Mandate Letter which prioritizes the provincial Natural Gas Strategy and the LNG Strategy in support of the B.C. Jobs Plan.

North American and Global Natural Gas Markets
The decline of demand within the traditional U.S. markets for Canadian gas is happening at the same time proven reserves of natural gas are growing year over year. Not only is there an increase in knowledge of the Original Gas in Place (OGIP) but also improved extraction technologies. The Ministry of Natural Gas Development (MNGD) estimates there are more than 2,900 Tcf of OGIP in B.C. By way of comparison, Canada produces approximately 5 Tcf per year under current market conditions. Internationally, growing economies such as China, Korea, Japan and India have seen demand for natural gas increase and are strategically looking to Canada and specifically B.C. for a secure supply of natural gas delivered as LNG. Canadian natural gas producers have joined forces with multinationals as active proponents to develop natural gas liquefaction capacity along the coast of B.C. Multiple projects are planned and are in various stages of regulatory approval.

Provincial Strategies for Natural Gas and LNG
Based on the foundation of the B.C. Jobs Plan, the Province continues to build upon its Natural Gas and LNG strategies as key elements in the provincial economy. The Commission supports the development and execution of these strategies through its routine operations and continues to expand and further coordinate its permitting with other responsible agencies. This coordination includes opportunities for optimizing the single-window regulatory model for the efficient and effective review of applications and oversight of permitted LNG facilities and associated major projects.

Agricultural Land Reserve
The Commission has a delegation agreement with the Agricultural Land Commission (ALC) that gives the Commission authority to permit oil and gas activities in the Agricultural Land Reserve (ALR). Expert staff, including professional agrologists, review the applications before any determinations are made. The agreement ensures an efficient process and oil and gas activities are considered temporary, non-farm uses in the ALR. Land must be reclaimed to its pre-development agricultural condition when no longer required for an oil or gas activity.

Major Projects
Major Projects require significant and complex consultation with multiple First Nations, rights holders and other stakeholders. These major projects, which have increased in number over the past two years, are often reviewed concurrently with the Environmental Assessment Office (EAO) and are always required to satisfy environmental and public safety standards. The Commission designates a proposed activity as a major project if it meets some or all of the following criteria:

- Requires jurisdictional coordination amongst multiple government agencies.
- Involves an environmental assessment.
- Is of considerable size and duration.
- Necessitates cross-divisional participation by a variety of experts within the Commission.

The Commission is currently working on the following major projects:

- Pacific Trails Pipeline.
- Kitimat LNG facility.
- Pacific Northwest LNG facility.
- Coastal Gaslink pipeline.
- Prince Rupert Gas Transmission (PRGT) pipeline.
- Westcoast Connector Gas Transmission pipeline.
- Vancouver Airport Fuel Delivery Project.

Major pipeline projects such as PRGT transect significant distances within B.C. (PRGT extends from the Montney play in northeast B.C. to Lelu Island near Prince Rupert). The PRGT Pipeline received all of its primary pipeline permits from the Commission by the end of September 2015.

Organizational Capacity
Organizational capacity remains a key strategic driver for the Commission. To maintain long-term strategic focus, the Commission works steadily to secure a professional and adaptable workforce, and modern business systems and infrastructure.

The rising complexity of development applications, the fast pace of technological innovations and the number of Major Projects across B.C. including LNG proposals have highlighted an increased need for technical experts. While the Commission has the capacity to meet its mandate, attracting and retaining the required expertise remains a challenge as the Commission competes with industry (private sector). The Commission has highly trained experts that are sought out by industry, which is often able to offer compensation packages that are significantly more competitive.

Meanwhile, the demand for Canadian gas in North America is declining and inevitably, there will be a decline in B.C. production unless alternative markets (such as LNG) emerge. The challenge for the Commission, as well as the industry, is maintaining the right balance and number of people through the short-term forecast of lower activity while remaining prepared for the long-term market direction from forthcoming decisions around LNG.

Regulatory Trends
Major provincial initiatives with potential to influence new regulations and decisions anticipated during this fiscal year include:

- Continued development of a provincial Cumulative Effects Assessment and Management Framework.
- Caribou management.
- Regulations under the *Water Sustainability Act*.
- Potential development of new natural resource road legislation.
- Amendments to the OGAA and its regulations.

The Commission actively participates in, and provides regulatory and technical expertise to, provincial initiatives affecting natural resource development. Through participation on provincial initiatives, the Commission identifies opportunities to strengthen its single-window approach in a manner consistent with the OGAA.

First Nations
The Commission's goal is to partner with First Nations where there may be impacts to their treaty or Aboriginal rights. As well, Aboriginal law continues to evolve and the Commission will continue to stay current with the legal requirements and work closely with First Nations.

To protect Aboriginal and treaty rights, the Commission consults with First Nations on proposed oil and gas activities on treaty lands and within their traditional territories in accordance with consultation procedures, agreements, and established case law. Within Treaty 8, where upstream oil and gas development has traditionally occurred, the processes by which these consultations are conducted have been historically defined by consultation procedures and agreements between each First Nation and the Commission (and sometimes include MNGD). The Commission is working closely with First Nations in developing renewed approaches to consultation which better fit the needs of affected First Nations.

Interface between oil and gas development and First Nations continues to increase as the midstream and downstream oil and gas sector develops in B.C. The Commission will continue to seek productive working relationships with First Nations not only where oil and gas activities are contemplated, but also in advance of applications through initiatives such as Area-based Analysis (ABA) and the North East Water Tool (NEWT).

Historically, the Commission has developed and maintained relationships with Treaty 8 First Nations. These have expanded with emerging major projects, which involves consultation and proactive engagement with First Nations outside northeast B.C.

Stewardship
Natural gas development in B.C. occurs primarily in the Montney formation centred in and around Dawson Creek and Fort St. John. The Horn River, Liard and Cordova basins have significant amounts of proven unconventional gas resources with less development in the current economic environment.

The OGAA and associated regulations provide the Commission with the ability to manage the effects of oil and gas activities on the environment and other resource values. Commission employees work

closely with ministries representing the Natural Resource Sector to proactively ensure the Commission's regulatory framework, programs and decisions incorporate and consider all pertinent environmental, safety and other factors consistent with provincial direction.

There is a high level of public and stakeholder interest in the potential environmental and social effects from oil and gas development, especially in relation to cumulative effects management, environmental mitigation, and hydraulic fracturing. Water use in shale gas extraction continues to be of particular interest to First Nations and stakeholders.

The Commission takes a proactive approach to these issues and concerns, and is responsive to new information as it emerges. Over the past few years, the Commission has introduced full transparency in water use reporting, pipeline incident reporting, and other key elements of interest to all stakeholders. In addition, the Commission has published two globally recognized, landmark studies on induced seismicity that are changing how that issue is managed across North America.